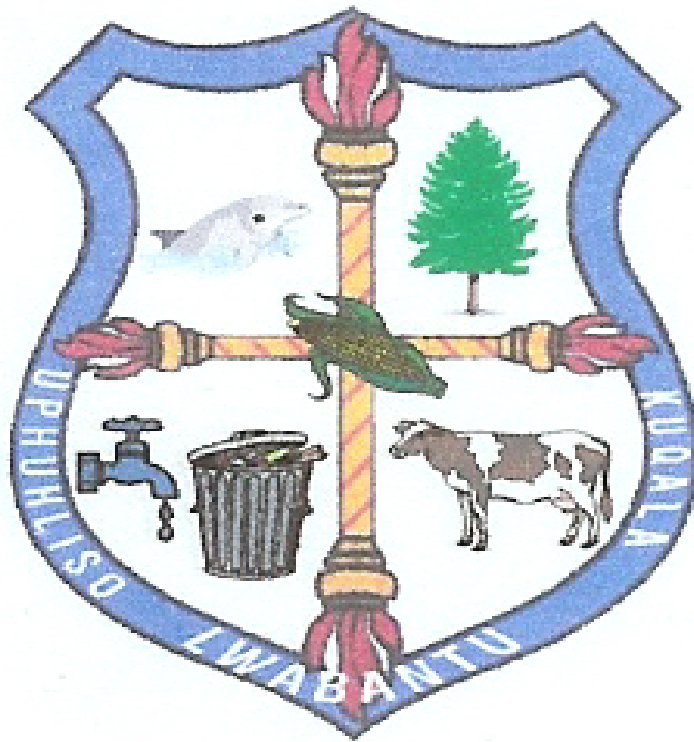


INGQUZA HILL LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS
for the year ended 30 JUNE 2008

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

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INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

GENERAL INFORMATION

For the year ended 30 June 2008

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor W Ngozi	Chairperson of the Executive Committee
Councillor NP Jam-Jam	Chairperson of the Institutional and Governance
Councillor D Mjokovana	Member
Councillor JN Sabona	Member
Councillor M Maxhayi	Chairperson of the Infrastructure and Engineering Services
Councillor NF Mtsotso	Chairperson of the Social Needs
Councillor B Nongoma	Chairperson of the Development Planning
Councillor P Dutshwa	Chairperson of Finance and Administration
Councillor T Cezula	Member
Councillor NA Gagai	Member

GRADE OF LOCAL AUTHORITY

Grade 3

AUDITORS

Auditor-General

BANKERS

Meeg Bank

REGISTERED OFFICE

135 Main Street
FLAGSTAFF
4810

P.O. Box 14
FLAGSTAFF
4810

Telephone: 039 – 252 0131
Facsimile: 039 – 252 0699

MUNICIPAL MANAGER

M. Fihlani

CHIEF FINANCE OFFICER

WN Groom

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

GENERAL INFORMATION (continued)

For the year ended 30 June 2008

MEMBERS OF THE INGQUZA HILL LOCAL COUNCIL

Ward	Councillor
Speaker	B Nkani
Mayor	W Ngozi
Party representative	ZN Mbewu
Party representative	T Dumisa
Party representative	GS Sigcau
Party representative	NE Sigcau
Party representative	JP Ndingi
Party representative	SA Kango
Party representative	A Mtshengu
Party representative	N Myakela
Party representative	N Gexu
Party representative	SH Mpongoma
Party representative	NCB Mngqinelwa
Party representative	NC Ngxokile
Party representative	NM Nkani
Party representative	FJ Cingo
Party representative	V Gwegwe
Party representative	T Sibunge
Party representative	B Joyi
Party representative	NE Mjojeli
Party representative	AN Manda
Party representative	SA Ruleni
Ward 1	D Mjokovana
Ward 2	NE Nonkuba
Ward 3	N Mjobo
Ward 4	N Jiki
Ward 5	B Mvulana
Ward 6	P Dutshwa
Ward 7	M Maxhayi
Ward 8	B Khotsholo
Ward 9	M Mkhumla
Ward 10	TS Mzoboshe
Ward 11	BB Goya
Ward 12	EB Nongoma
Ward 13	M Tenyane
Ward 14	S Maqutywa
Ward 15	X Dingi
Ward 16	N Mkombe
Ward 17	Z Mveku
Ward 18	N Zathi
Ward 19	B Tabalaza
Ward 20	P Ngxamile
Ward 21	N Mjoji
Ward 22	D Thwatshuka
Ward 23	S Nkwakhwa
Ward 24	F Magaya
Ward 25	B Pesa
Ward 26	Deceased
Ward 27	T Vimba

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2008

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 1 to 27 were approved by the Municipal Manager on the 29 August 2008.

MUNICIPAL MANAGER
(Accounting Officer)
29 August 2008

CHIEF FINANCE OFFICER
29 August 2008

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

FOREWORD

For the year ended 30 June 2008

It is my joy and privilege to present this overview for the year under review, the 2007/2008 financial year. Similarly to the previous reporting financial periods, our municipality has continued to face some rather tough challenges of a varying nature even in this financial year.

To take a step back and recap, one would ask as to; what have these challenges been? In providing an answer to the question, we summarise our past and continuous key challenges as follows: A consistent and predictable service delivery to the Ingquza Hill community; our inability to attract and retain the required personnel skills as a means to address and ensure quality service delivery; shortcomings in implementing and sustaining a culture of good corporate governance; A challenge to institute and sustain an effective revenue collection strategy and a challenge to grow our revenue base through innovative yet sustainable revenue growth plan.

It is not difficult to identify the fact that the foregoing key challenges are primarily as a result of two factors. Firstly, this is a result of the crisis that led to the intervention where the MEC invoked section 139 of the Constitution. Secondly and importantly, this is also as a result of our historical inability to attract and retain the type and level of personnel skills necessary to propel this municipality to a higher level of performance.

However, I am delighted to say that we are now beginning to systematically tackle all these challenges with the highest possible vigour and strength and most importantly, the results are beginning to show. We had never in the past able to submit the financial statements to the Auditor General before the due date, but for 2007/2008 financial year we had.

Indeed, the achievement of the foregoing objectives is not only dependant on the administration but is equally reliant on the Council. Therefore, I implore my fellow councilors to wholeheartedly join me in realizing the level of service delivery characterized by good corporate governance that is a dream and wish of every resident of the Ingquza Hill Local Municipality.

On behalf of the Council I would like to express a word of appreciation to the community of the Ingquza Hill Local Municipality and to our varied partners in service delivery at Provincial and National levels. In conclusion, I would like to express my gratitude to the Executive Committee, the Council, the Municipal Manager and his team for their commitment and hard work during the current financial year, trusting that the 2008/09 financial year will be even better.

W Ngozi
Mayor and Chairperson of the
Executive Committee

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

TREASURER'S REPORT

For the year ended 30 June 2008

1. REVIEW OF OPERATING RESULTS

Tabulated here below are the highlights of the operating results in respect of the year ended 30 June 2008. Detailed operating results are presented on Appendices C and D. The reported budget figures represent the revised budget figures.

INCOME	Budget 2008	Actual 2008	Variance Budget / Actual	Actual 2007
Grants and Subsidies				
➤ Central Government	49 704 000	48 126 246	1 577 754	41 215 489
➤ Provincial Government	2 366 000	13 553 644	(11 187 644)	10 851 652
➤ District	405 000	205 798	199 202	-
Operating Income				
➤ Assessment Rates	8 193 144	2 584 025	5 609 119	4 936 857
➤ Refuse Removal	800 000	1 127 712	(327 712)	289 115
➤ Other Income	41 614 086	3 590 202	38 023 884	13 686 444
	103 082 230	69 187 628	33 894 602	70 979 557
EXPENDITURE				
Salaries, wages and allowances	45 842 889	43 099 483	2 743 406	29 627 862
General Expenses	19 757 141	20 292 586	(535 445)	32 807 199
Repairs and Maintenance	2 415 000	1 856 850	558 150	1 294 185
Contributions to Fixed Assets	35 067 200	19 588 096	15 479 104	16 355 021
	103 082 230	84 837 015	18 245 215	80 084 267
(Deficit) / Surplus	-	(15 649 388)	(15 649 388)	(9 104 710)

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

For the year ended 30 June 2008

1. REVIEW OF OPERATING RESULTS (continued)

1.1 Commentary on the operating results

Income

Grant subsidies (Central and Provincial Government combined) are just R 9 609 890 more than budgeted and more by (2007: R 1 431 859). Actual rates and refuse removal income less the budget by R5 936 831(2007: R 2 7 656 753). Other income is R 38 023 884 worse off than budgeted. The negative variance on other income is attributable to other loans anticipated not being received.

Operational expenditure

Total budgeted operational expenditure amounted to R 68 015 030 (2007: R 59 006 686) and the capital expenditure budgeted amounts to R 35 067 200 (2007: R19 366 499) resulting in a total expenditure budget of R103 083 230 (2007: R78 373 185). Actual operational expenditure is R63 070 989 (2007: R63 729 246) and actual capital expenditure is R19 588 096 (2007: R16 355 025) with a total actual expenditure of R84 837 015(2007: R80 084 261).

The operational budget was underspent by 4%. There was savings of R2.7m in salaries, wages and allowances as a result of unfilled vacancies and that some vacancies were filled late towards the end of the financial year. The R0.6m savings in repairs and maintenance is related to a high level of expenditure on access roads (capital expenditure) resulting in a substantially reduced need for immediate access road maintenance. The R0.5m overspending in general expenses is due to provincial imbizos and council functions held during the current financial year.

INGQUZA HILL LOCAL MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****For the year ended 30 JUNE 2008**

For the year ended 30 June 2008**2. CAPITAL EXPENDITURE AND FINANCING**

Total fixed asset additions during the year amounted to R19 588 096 (2007: R16 355 021). They are made up as follows:

Capital expenditure category	Budget 2008	Actual 2008	Variance Budget / Actual	Actual 2007
Community Centres				123 864
Computer equipment	1 574 000	1 048 524	525 476	354 039
Digital camera	6 000	19 815	(13 815)	-
Eletrical infrastructure	-	-	-	333 929
Fencing □ cemetery	250 000	1 079	248 921	-
Furniture and Fittings	300 000	204 349	95 651	53 020
Land & Buildings	150 000	68 951	81 049	73 967
Land Fill Sites	100 000	-	100 000	145 822
Local Economic Development	1 800 000	642 703	1 157 297	232 727
Mobile office	747 200	628 424	118 776	-
Pit Shelter, Offices & Testing centre	9 600 000	3 624 937	5 975 063	-
Road Construction – Access Roads	15 000 000	13 263 956	1 736 044	14 023 688
Tools, Plant and Equipment	4 040 000	85 358	3 954 642	161 743
Upgrading of Taxi and Bus Ranks	1 500 000	-	1 500 000	852 226
	35 067 200	19 588 096	15 479 104	16 355 025

TREASURER'S REPORT (continued)**For the year ended 30 June 2008**

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

2. CAPITAL EXPENDITURE AND FINANCING (continued)

Resources used to finance fixed assets were as follows:

Contributions from:	Budget 2008	Actual 2008	Variance Budget / Actual	Actual 2007
Grants and subsidies	35 067 200	19 588 096	15 479 104	16 355 021

2.1 Commentary on capital expenditure and financing

In the current financial year, we spent 56% (2007: 82%) of the total capital budget of R 35 067 200. A substantial portion of the capital expenditure went to the construction of access roads being R13m, followed by the testing center of R3.2m and computer equipment at R1m.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

The municipality has no external loans.

For investments and cash refer to notes 3 and 4 respectively. Investments and cash on hand at 30 June 2008 amounted to a deficit of R4 444 859 and (R20 601 670 in 2007).

4. POST BALANCE SHEET EVENTS

No material events have occurred since the balance sheet date.

5. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, the Executive committee of the Council, the Council, the Municipal Manager for the support they have given me and to the staff of the Finance Department and the local representatives of the Auditor-General for their assistance and support during the year.

WN Groom
Chief Finance Officer
29 August 2008

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

ACCOUNTING POLICIES

For the year ended 30 June 2008

1. BASIS OF PRESENTATION

- 1.1** These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and the Report on Published Annual Financial Statements (Second edition – January 1996 as amended).
- 1.2** The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 5. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3** The financial statements are prepared on the accrual basis:
- Income is accrued when measured and available to finance operations.
Certain direct income is accrued when received, such as fines and certain licenses.
 - Expenditure is accrued in the year it is incurred.

2. REVENUE

Revenue comprises of assessment rates and refuse income receivable for the year, sundry income and grant subsidy income.

Assessment rates are levied at an approved annual rate on the value of land and buildings. Refuse is levied at approved monthly flat rates. Sundry income is accounted for on a cash receipt basis.

Government and related grants are recognized as revenue on an accrual basis and in accordance with the funder's annual disbursement plan as they relate to the municipal statutory annual reporting period.

3. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

To the extent that they affect previously disclosed financial information (amounts), changes in accounting policies are accounted for with retrospective effect resulting in a restatement of previously disclosed retained surplus or accumulated deficit and comparatives as applicable. Changes in accounting estimates have no retrospective effect and these are accounted for by adjusting current year and future accounting estimates. Where changes in estimates have a fundamental effect on the current year financial information, these are disclosed as abnormal items. Fundamental prior year errors are corrected through a prior year adjustment entry restating the previously disclosed retained surplus or accumulated deficit with a restatement of comparatives. The nature of the error and the impact of the correcting entry are briefly explained in the correcting note. For completeness purposes, a further note depicting the previously disclosed amounts against the corrected amounts is disclosed.

ACCOUNTING POLICIES

For the year ended 30 June 2008

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

4. ACCUMULATED SURPLUS

Accumulated surplus reflects the residual of revenue against the sum of operating expenditure, capital expenditure and appropriations.

5. TRUST FUNDS

Trust funds are representative of external funding received and set aside for specific projects. Receipts into and disbursements out of these trust funds only impact the relevant trust fund account and the equivalent trust fund bank account with no impact on the rest of the municipality's financial information as the funds are held in trust.

6. PROJECT FUNDS

Project funds are representative of external funding received and set aside for pre-identified individual projects or a pre-defined general nature of an intervention.

7. FIXED ASSETS

7.1 Fixed assets are stated at cost or valuation where assets have been acquired by grant or donation, while they are in existence and fit for use.

7.2 Depreciation: The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation; however certain structural differences do exist. Through this "provision" assets are written down over their estimated useful life.

In the case of operating income the full cost of the acquired asset becomes a direct charge to the income statement. Loans are repaid within the estimated useful lives of assets acquired through such loans. The cost or value of such asset as financed is immediately credited to the "Loans Redeemed and other Capital Receipts" accounts.

7.3 Fixed assets are financed from different sources of funding which include external loans, designated or general grant subsidy income, operating income and various accumulated council funds.

7.4 All net proceeds from the sale of fixed assets are credited to the revolving fund.

8. INVESTMENTS

Investments are stated at the lower of cost or market value if a permanent decline in the value has occurred.

ACCOUNTING POLICIES

For the year ended 30 June 2008

9. PROVISIONS

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

Provisions are recognized when the municipality has a present or a constructive obligation as a result of past events and is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

10. RETIREMENT BENEFITS

The municipality operates a defined contribution plan in the form of a provident fund scheme covering all employees. The assets of the scheme are held separately from those of the municipality and are administered by the scheme's trustees. The municipality's contributions to the defined contribution fund are charged to the income statement during the year to which they relate.

11. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with the provisions of the Municipal Finance Management Act. Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

12. UNAUTHORISED EXPENDITURE

Unauthorised expenditure means expenditure incurred not in accordance with the municipality's authorization process and levels. All unauthorized expenditure is charged against income in the period in which it is incurred.

13. POST BALANCE SHEET EVENTS

Post balance sheet events are classified into two categories; material events occurring after the balance sheet date that confirm the accurate position of disclosed financial information at the balance sheet date and those events occurring after the balance sheet date with no impact on the financial information disclosed at the balance sheet date yet material enough for the appreciation of the financial statements as a whole. In respect of the former category, adjustments are made to the balance sheet and in respect of the latter category appropriate disclosure is made in the treasures' report stating the nature and the impact and the timing of the event.

BALANCE SHEET
As at 30 JUNE 2008

2008

2007

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

	Notes	R	R
CAPITAL EMPLOYED			
Accumulated Surplus		(15 219 016)	8 784 024
Project Funds	2	8 586 081	8 996 942
		<u>(6 632 935)</u>	<u>17 780 966</u>
EMPLOYMENT OF CAPITAL			
Fixed Assets	3	-	-
Net Current Assets		<u>(6 632 935)</u>	<u>17 780 966</u>
Current Assets		9 975 552	30 806 651
Debtors	4	9 010 764	10 204 981
Short-term investments	5	964 788	18 609 381
Bank and cash		-	1 992 289
Current Liabilities		16 608 487	13 025 685
Bank overdraft	6	5 409 647	-
Provisions	7	4 894 617	2 192 785
Creditors	8	6 304 222	9 221 776
VAT	9	-	1 611 124
		<u>(6 632 935)</u>	<u>17 780 966</u>

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

INCOME STATEMENT

For the year ended 30 June 2008

2008 Actual income R	2008 Actual expenditure R	2008 Surplus/ (deficit) R		2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (deficit) R
RATES & GENERAL SERVICES						
69 187 628	84 837 015	(15 649 388)		70 979 557	79 734 461	(9 104 710)
68 059 916	84 837 015	(16 777 100)	Community services	70 690 442	79 734 461	(9 393 825)
1 127 712	-	1 127 712	Economic Services	289 115	-	289 115
69 187 628	84 837 015	(15 649 388)	TOTAL	70 979 557	79 734 461	(9 104 710)
		(15 649 388)	Net surplus / (deficit) for the year			(9 104 710)
		8 784 024	Accumulated surplus at the beginning of the year			17 888 734
		(8 353 652)	Prior year adjustment			-
		-	Restated accumulated surplus at the beginning of the year			-
		(15 219 016)	ACCUMULATED SURPLUS AT THE END OF THE YEAR			8 784 024

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

STATEMENT OF CHANGES IN FUNDS

For the year ended 30 June 2008

	Note	Funds	Accumulated surplus	Total
Balance at 30 June 2007		8 996 943	8 830 322	17 827 265
Deficit for the year		-	(15 649 388)	(15 649 388)
Advances and interest received		-	-	-
Withdrawals		(410 862)	-	(410 862)
Balance at 30 June 2008		8 586 082	(6 819 066)	1 767 016

~~CASH FLOW STATEMENT~~

INGQUZA HILL LOCAL MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****For the year ended 30 JUNE 2008**

For the year ended 30 June 2008

	Note	2008	2007
		R	R
OPERATING ACTIVITIES			
Cash generated / (utilised) from operations	12	(5127 135)	6 601 050
Interest received		712 192	452 465
Decrease / (increase) in working capital	13	(632 629)	9 661 593
Net cash (used in) / retained from operating activities		<u>(5 047 572)</u>	<u>16 715 108</u>
NET CASH USED IN INVESTING ACTIVITIES			
Investment in fixed assets		(19 588 095)	(16 355 021)
NET CASH USED IN FINANCING ACTIVITIES			
Increase / (Decrease) in trust funds and project funds		(410 862)	7 109 495
Net (decrease) / increase in cash and cash equivalents		<u>(25 046 529)</u>	<u>7 469 581</u>
Cash and cash equivalents at the beginning of the year		20 601 670	13 132 089
Cash and cash equivalents at the end of the year		<u>(4 444 859)</u>	<u>20 601 670</u>

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

For the year ended 30 June 2008

	2008 R	2007 R
1. TRUST FUNDS		
Pilot Housing Fund	-	-
2. PROJECT FUNDS		
Natis Fund	-	410 854
Disbursement Fund	3 086	3 086
503 Housing Fund	310 443	310 443
Traffic testing fund	8 272 553	8 272 561
	8 586 081	8 996 944
3. FIXED ASSETS		
Fixed assets at the beginning of year	59 746 903	43 392 302
Capital expenditure during the year	19 588 096	16 355 021
Total fixed assets	79 334 999	59 747 323
Less: Contributions from revenue contributions	-	(8 129 741)
Contributions from grants and subsidies	79 334 999	(51 617 582)
Net fixed assets	-	-

INGQUZA HILL LOCAL MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****For the year ended 30 JUNE 2008****For the year ended 30 June 2008**

	2008 R	2007 R
4. DEBTORS		
Customer debtors		
Rates and refuse	15 563 334	10 131 154
Provision for bad debts	(10 113 297)	(7 597 563)
	<u>5 450 037</u>	<u>2 533 591</u>
Sundry debtors		
VAT	3 560 727	-
Other debtors	-	1 365 141
Payroll Debtors	-	2 711 389
Employee debtors	-	39 389
	<u>3 560 727</u>	<u>4 115 919</u>
O.R. Tambo District Municipality		
This amount relates to water, sanitation and sewerage debtors which were transferred to the O.R. Tambo District Municipality	5 091 983	5 091 983
Provision for bad debts	(5 091 983)	(1 536 513)
	<u>-</u>	<u>3 555 470</u>
	<u>9 010 764</u>	<u>10 204 980</u>
5. SHORT – TERM INVESTMENTS		
Unlisted		
Natis (38 876 043 5 005)	390 025	410 854
Disbursement Fund (38 879 043 8 004)	3 235	3 086
Pilot Housing Fund (9 059 27 98 93)	5 000	-
Traffic Testing Fund (38 876 043 5 002)	30 063	30 063
Call account 9191 3 57	5 000	-
Call account 9191 3 58	5 000	-
Lusikisiki council members – account no. 1	10 242	9 771
Lusikisiki council members – account no. 2	9 198	8 537
Housing fund (503)	328 713	328 713
FNB – 620 032 353 07	8 098	369 350
Standard bank call – 2807 840 90	2 003	2 003
Standard bank call – 2808 059 50	22 299	22 995
Standard bank call – 0820 650 12	87 163	87 883
Standard bank call – 0869 087 41 001	3 858	3 597
MEEG 503 Low Cost Housing (91 3887 3637)	10 522	10 522
Meeg 918 060 8634	10 685	2 004
Meeg 918 072 0799	30 206	8 242 490
Meeg 918 084 4733	2 150	2 004
Meeg 911 963 5044	1 329	9 075 509
	<u>964 788</u>	<u>18 609 381</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS**For the year ended 30 June 2008**

INGQUZA HILL LOCAL MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****For the year ended 30 JUNE 2008**

	2008 R	2007 R
6. BANK AND CASH		
MEEG – Current 405 27 646 5	(5 418 091)	1 989 839
Petty cash	8 444	2 450
	<u>(5 409 647)</u>	<u>1 992 289</u>
7. PROVISIONS		
Audit fees	713 945	780 000
Accounting fees	253 500	600 000
Service Bonus (13 th cheque)	1 146 617	481 393
Leave pay	2 780 555	331 392
	<u>4 894 617</u>	<u>2 192 785</u>
8. CREDITORS		
Trade creditors	3 446 743	6 797 829
Creditors - Dept. Of Transport	1 167 083	-
Creditors – Auditor General	793 884	-
Payroll creditors	15 210	1 302 801
Stale cheques	-	371 416
Accruals	881 302	749 728
	<u>6 304 222</u>	<u>9 221 775</u>
9. OTHER CREDITORS		
VAT	-	1 611 124
10. AUDITORS' REMUNERATION		
Audit fees – current year provision	<u>713 945</u>	<u>780 000</u>
11. COUNCILLORS' ALLOWANCES		
Mayors' allowance	10 935	508 691
Councillors' allowance	207 491	7 285 690
Council pension contribution	-	1 249 996
	<u>218 426</u>	<u>9 044 377</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

For the year ended 30 June 2007

	2008 R	2007 R
12. CASH (UTILISED) / GENERATED FROM OPERATIONS		
(Deficit) / surplus for the year	(15 649 388)	(9 104 710)
Adjustment for:		
Prior year adjustment	(8 353 652)	(196 797)
Capital expenditure	19 588 096	16 355 021
Interest received	(712 191)	(452 465)
	<u>(5 127 135)</u>	<u>6 601 049</u>
13. (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / decrease in debtors	1 194 217	6 107 015
(Decrease) / increase in creditors	(4 528 678)	3 145 310
Increase in provisions	2 701 832	409 268
	<u>(632 629)</u>	<u>9 661 593</u>
14. CONTINGENCE LIABILITIES AND CONTRACTUAL OBLIGATIONS		
From time to time the municipality is involved in litigation in the normal course of business. The outcome of the proceedings and claim cannot be predicted with certainty.	4 200 000	-
15. PRIOR YEAR ADJUSTMENTS		
Payroll creditors were not cleared in the previous year. These are now being reversed.	6 156 649	-
Prior year audit provisions were reversed without any payments made by the Municipality to the Auditor General.	2 197 003	-
Total	<u>8 353 652</u>	<u>-</u>

APPENDIX A: TRUST FUNDS AND PROJECT FUNDS

	Balance at	Prior year	Interest on	Contributions	Expenditure	Balance at
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INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

	30 June 2007	adjustment	investments	during the year	during the year	30 June 2008
TRUST FUNDS						
Pilot Housing Fund	-	-	-	5 000	-	-
TOTAL	-	-	-	5 000	-	-
PROJECT FUNDS						
Natis Fund	410 854	(410 854)	-	-	-	-
Tourism Fund	-	-	-	-	-	-
Disbursement Fund	3 085	-	-	-	-	3 085
503 Housing Fund	310 443	-	-	-	-	310 443
Testing centre fund	8 242 490	-	-	-	-	8 242 490
Meeg project funds	8	(8)	-	-	-	-
Traffic Testing Fund	30 063	-	-	-	-	30 063
	8 996 943	(410 862)	-	-	-	8 586 081
GRAND TOTAL	8 996 943	(410 862)	-	5 000	-	8 586 081

APPENDIX B: ANALYSIS OF FIXED ASSETS

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2008

Expenditure		Budget	Balance at	Expenditure	Redeemed,	Balance at
2007		2008	30 June	during year	transferred,	30 June
R		R	2007	R	written off	2008
			R		R	R
16 355 022 Rates and General Services		35 067 200	59 746 903	19 588 096	-	79 334 999
16 355 022 Community services		35 067 200	59 746 903	19 588 096	-	79 334 999
73 967 Land and buildings		150 000	1 846 428	68 951	-	1 915 379
53 020 Furniture and fittings		300 000	1 407 367	204 349	-	1 611 716
161 743 Tools, Plant and equipment		4 040 000	3 630 497	85 358	-	3 715 855
- Motor vehicles		-	4 353 654	-	-	4 353 654
333 926 Electrical infrastructure		-	337 332	-	-	337 332
- General improvements		-	561 442	-	-	561 442
- Administration infrastructure		-	737 671	-	-	737 671
354 039 Office equipment		-	995 205	-	-	995 205
- Mayoral gown		-	1 382	-	-	1 382
¤ Digital camera		6 000	-	19 815	-	19 815
123 864 Community centres		-	1 364 675	-	-	1 364 675
232 727 Local economic development		1 800 000	232 727	642 703	-	875 430
- Computer equipment		1 574 000	290 735	1 048 524	-	1 339 259
145 822 Land fill sites		100 000	408 980	-	-	408 980
852 226 Upgrading of taxi and bus ranks		1 500 000	4 896 048	-	-	4 896 048
- Township development		-	976 711	-	-	976 711
- Fencing of Cemetery		250 000	-	1 079	-	1 079
- Mobile office		747 200	-	628 424	-	628 424
14 023 688 Road Construction – access Roads		15 000 000	37 515 277	13 263 956	-	50 779 233
- Road signs		-	58 557	-	-	58 557
- Pit shelter, offices & testing centre		9 600 000	122 678	3 624 937	-	3 747 615
- Informal traders facilities		-	9 537	-	-	9 537
16 355 022 TOTAL FIXED ASSETS		35 067 200	59 746 903	19 588 096	-	79 334 999
59 747 323		35 067 200	59 746 903	19 588 096	-	79 334 999
AND OTHER CAPITAL RECEIPTS						
8 129 741 Revenue contributions		-	-	-	-	-
51 617 582 Grants and subsidies		35 067 200	59 746 903	19 588 096	-	79 334 999
-	NET FIXED ASSETS	-	-	-	-	-

APPENDIX C: ANALYSIS OF OPERATING INCOME AND EXPENDITURE

Actual		Actual	Budget
2007	INCOME	2008	2008

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

R		R	R
52 567 141	Government Grants & Subsidies:	61 885 688	52 475 000
41 215 489	Central government	48 126 246	49 704 000
11 351 652	Provincial government	13 553 644	2 366 000
	District Municipality	205 798	405 000
18 912 416	Operating Income:	7 301 939	50 607 230
4 936 857	Assessment rates	2 584 025	8 193 144
289 115	Refuse	1 127 712	800 000
13 686 444	Other Income	3 590 202	41 614 086
-	Transfer from reserves	-	-
71 479 557	TOTAL INCOME	69 187 628	103 082 230

Actual 2007 R	EXPENDITURE	Actual 2008 R	Budget 2008 R
63 730 112	Total operational expenditure:	65 248 920	103 082 230
29 627 862	Salaries, wages and allowances	43 099 483	45 842 889
32 807 199	General expenses	20 292 586	19 757 141
-	Bad debts	-	-
1 295 051	Repairs and maintenance	1 856 850	2 415 000
16 355 021	Contributions to fixed assets	19 588 096	35 067 200
80 085 133	GROSS EXPENDITURE	84 837 015	138 149 430
80 085 133	NET EXPENDITURE	84 837 015	138 149 430
(8 605 576)	NET (DEFICIT) / SURPLUS	(15 649 388)	(35 067 200)

APPENDIX D: DETAILED INCOME STATEMENT

2007	2007	2007	2008	2008	2008	2008
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INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

Actual income R	Actual expenditure R	Surplus/ (deficit) R
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Actual income R	Actual expenditure R	Surplus/ (deficit) R	Budget R
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RATES & GENERAL SERVICES

2 584 025

2 584 025

8 193 144

Community services

70 672 442 68 346 918 2 340 024

68 059 916 84 837 015 (13 065 363) 78 373 187

4 936 857	-	4 936 857	Assessment rates	-	-	2 584 025	
-	10 900 985	(10 900 985)	Council	13 188 701	11 161 107	2 027 594	12 001 292
-	2 376 357	(2 376 357)	Office of the mayor	2 251 247	1 416 746	834 501	2 578 516
			Speaker	560 038	(304 142)	864 180	
-	4 887 897	(4 887 897)	Municipal manager	3 895 531	5 353 584	(1 458 054)	2 636 165
-	6 298 002	(6 298 002)	Administration	8 722 752	10 654 726	(1 931 973)	7 201 207
65 735 585	15 799 181	49 954 404	Finance	6 810 683	8 980 930	(2 170 247)	13 375 917
-	2 230 885	(2 230 885)	Human resources	2 370 655	3 511 071	(1 140 416)	2 050 130
-	1 052 592	(1 052 592)	Local Economic Dev.	3 089 927	3 062 325	27 602	1 980 638
-	602 305	(602 305)	Land and housing	-	-	-	389 753
-	5 443 586	(5 443 586)	Community safety	8 074 038	10 279 238	(1 077 488)	19 205 597
-	778 773	(778 773)	Parks Cem. & pound	-	-	-	-
-	17 979 855	(17 979 855)	Infrastructural Dev	19 096 344	30 721 431	(11 625 087)	16 953 972

289 115 11 737 350 (11 448 234)

Economic services

1 127 712

1 127 712

7 336 996

289 115	11 737 350	(11 448 234)	Refuse removal	1 127 712	-	1 127 712	7 336 996
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70 961 557 80 084 268 (9 104 710)

TOTAL

69 187 628

84 837 015

(15 649 388)

85 710 183

Net surplus / (deficit) for the year

(15 649 388)

17 888 734

Accumulated surplus at the beginning of the year

8 784 024

-

Prior year adjustment

(8 353 652)

Restated accumulated surplus at the beginning of the year

-

ACCUMULATED SURPLUS AT THE END OF THE YEAR

8 784 024

(15 219 016)

APPENDIX E: STATISTICAL INFORMATION

GENERAL STATISTICS

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

1. Population

Age group	Age group as percentage of total	Total Population	Males	Females
0 – 4	13.9%	35 588	17 809	17 779
5 – 14	32.3%	82 696	41 047	41 649
15 – 34	30.4%	77 542	34 601	42 941
35 – 64	17.7%	45 280	17 023	28 257
65	5.7%	14 269	4 789	9 480
	100%	255 375	115 269	140 106

2. Assessment rates

2.1 Property valuation and assessment rates

	Valuation as at July 2004 R	Actual income 2004 R
State	17 146 145	325 777
Residential	43 761 749	831 473
Commercial	57 238 763	1 087 537
	118 146 657	2 244 787

General Valuation 1991

Interim valuation 2004

The basic assessment rate is 1.9 cents per rand.

APPENDIX E: STATISTICAL INFORMATION (continued)

~~GENERAL STATISTICS~~

INGQUZA HILL LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2008

2. Population

2.2 Number of properties

	Total number of properties	Non valued	Non rated	Net rateable number of sites
Residential property	1 323	190	21	1 112
Commercial property	57	2	-	55
Total	1 380	192	21	1 167